

Statement of  
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before the Committee on Financial Services  
Subcommittee on Housing and Community Opportunity

“Housing & Economic Development Policy in the State of Ohio”  
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Thank you for the opportunity to submit testimony on housing policy in Ohio to the Subcommittee, and thank you, Chairman Ney, for convening this hearing. My name is Bambi Baughn, and I am the Deputy Director of the Community Action Commission of Fayette County, a non-profit corporation located in Washington Court House, Ohio.

My testimony will address the Subcommittee’s questions concerning affordable housing production. It will include a description of the housing programs and activities at our agency, and a rural perspective of housing needs and activities.

**Housing Activities of the Community Action Commission of Fayette County**

The Community Action Commission of Fayette County was incorporated in 1966 under the Economic Opportunity Act of 1965. It is a multi-purpose agency, operating many programs, which include Head Start, home weatherization, public transportation, specialized transportation, prenatal and well child clinics, a dental clinic, programs for the elderly, emergency assistance, employment programs and programs for family development and self-sufficiency.

**Housing Rehabilitation Programs**

CAC has operated the Home Weatherization Program in some form since 1967. It is currently funded to complete approximately 38 units per year. Work done includes insulation, window repair and glazing, minor repairs, infiltration correction, ventilation and heating unit inspection, cleaning repair and/or replacement. The program is supplemented through utility weatherization programs.

In 1994 the agency received funding through the Central Ohio Area Agency on Aging for home repair for low-income homeowners over age 60. This program has received additional funding through the Ohio Housing Trust Fund and is currently funded at over \$25,000 per year.

## Special Needs Housing

In 1984 CAC received a grant to operate a group home for elderly and disabled people through the Ohio Department on Aging. The agency collaborated with a private developer to build the first newly constructed Shared Living Home in the state in 1985. The facility was licensed for 16 individuals. CAC operated the home until 1995, when it was sold to a long-term care facility operator.

In 1987 CAC received its first operating grant for an emergency shelter for the homeless. We started with two leased motel rooms. After obtaining other financing, including a demonstration grant from the US Department of Labor for job training, the program expanded to a 16-bed facility.

In 1990 the agency received its first HUD grant for 16 units of Transitional Housing for the homeless. This program continues to operate with a combination of HUD and state operating money.

## Rental Housing

Community Action is involved with seven rental projects. Glennview Apartments is a tax credit project in Washington Court House. Glennview has 56 units, mixing two and three bedroom apartments. It was completed in 1994.

Woodsvie Square Apartment Project is located in Jeffersonville. It has 40 units, mixing one, two and three bedrooms. Woodsvie Square is a USDA 515 project, with 24 of the units receiving rental assistance. Community Action is the manager for this project. It opened in January 1995.

The Fayette Inn is a Single Room Occupancy facility located just outside of Washington Court House. It was developed under the HUD SRO for the Homeless Section 8 Moderate Rehab program and was funded with tax credits, Housing Trust Fund and Federal Home Loan Bank. The agency purchased and rehabilitated a vacant motel. The Fayette Inn has 17 efficiency apartments with Section 8 subsidies and one manager's unit.

Summer Tree Apartments was funded in 1999 under the tax credit program. It is a USDA project and involves acquisition and rehab of a 24-unit complex in Jeffersonville. All the units have rental assistance.

Ivy Glen is a tax credit project located in Washington Court House. It is a lease-purchase community of 60 single-family homes, ranging from 2 – 4 bedrooms. It opened in December 2002.

Two tax credit projects were approved in 2002 and are currently under development: Riverbirch Greene in Washington Court House, which is new

construction of 60 single family homes; and Frankfort Place in Frankfort, which is an acquisition/rehab of 20 multi-family units for elderly residents.

### Home Ownership Programs

Community Action Commission of Fayette County operates the only USDA Self-Help Housing Program in the state. Under this program, families who qualify for USDA 502 subsidized loans are assisted by CAC to do 65% of the construction work on their new homes, thereby reducing the amount of the mortgage. We have expanded the program by leveraging parts of the loans from a private bank, and by funding some units with Housing Trust Fund and private funds. Two subdivisions have been developed in this program. Since 1995 the agency has developed over 100 new houses under this program.

### Housing Counseling

The agency has two staff trained to do foreclosure prevention, homebuyer education, post-purchase counseling and credit repair counseling. Staff provides counseling both to classes and on an individual basis.

### Youthbuild

Youthbuild is a HUD-funded program for low-income youth aged 16- 23 who do not have a high school diploma. Youth take classes to prepare to take their GED test while learning construction skills on our homeownership job sites.

### **Rural Housing in Ohio**

Nationally, most housing policy is based on urban concerns. While these concerns are substantial, there is also need in rural America. Based on the 2000 Census, of the 200 poorest counties in America, all except 11 are non-metropolitan. For many years, substandard quality was the primary housing problem in rural areas. While quality remains a major concern, affordability is now a bigger problem in rural housing, especially for low-income people.

Many people may not consider Ohio as a rural state. But Ohio has the 4<sup>th</sup> largest rural population among the 50 states, with over 2.1 million people.

In Ohio, 29 of the 41 counties with poverty rates between 10% - 30% are rural counties in the south and far eastern parts of the state. Most of these counties had less than 5% population growth since the 1990 census.

## **Barriers to Housing Development in Rural Areas of Ohio**

Funding, federal regulations, limited infrastructure, terrain demographics and lower income levels all provide challenges to the development of affordable housing in rural Ohio. Current systems of allocating funds for housing put rural areas at a disadvantage when competing with urban areas. Most rural communities do not have the local resources to match federal funding requirements and/or the funds needed to fill the gap between resources and actual development costs. Development costs in many rural areas are higher because infrastructure is not in place. In southeastern Ohio, the terrain tends to be steep and rolling, making it difficult to find a suitable affordable building site.

Because the populations in rural areas are small, housing developments are also much smaller than those in urban areas. This drives up the development cost and makes the projects less competitive for public housing dollars. Utility deregulation has also impacted rural housing projects when utilities must be brought to a site under development. The cost of gas and electric line installation is much greater than a few years ago, and many developers can only afford to bring electric to the project.

Funds for rural projects target households with lower incomes. Rents are more restrictive in rural counties as well. Rental projects in rural areas have difficulty generating the income necessary to repay mortgages and also cover maintenance and operating costs for the projects.

For example:

Using the HUD HOME Program Income Limits for Ohio (February 2003):

A family of 4 in the Columbus MSA could make \$51,050 and be considered low-income. A family of 4 in Fayette County that makes \$40,500 is considered low-income.

The HUD Home Program Rents for Ohio, also released in February 2003:

In the Columbus MSA, the 50% rent limit for a 3-bedroom apartment is \$829. In Fayette County, the 50% rent limit for a 3-bedroom apartment is \$657.

## **Use of HOME Funds for Housing Development**

In Ohio, HOME funds administered by the Ohio Department of Development can be accessed through the Community Housing Improvement Program (CHIP), the Housing Development Assistance Program (HDAP), and the Community Housing Development Organization (CHDO) Operating Grants. HOME funds are also distributed by formula to participating jurisdictions.

The CHIP program is distributed through competitive annual applications to eligible communities. Counties and cities that are eligible for HOME funds are: 1) non-entitlement/non-participating jurisdictions with an approved Community Housing Improvement Strategy and 2) entitlement/non-participating jurisdictions with an approved Consolidated Plan. Homeownership and rental housing programs for low- and moderate-income families are eligible activities.

The HDAP program provides financing for owner occupied and rental housing for very low-income persons. Funds may be used to fund gaps in Housing Credit projects, Project Based Section 8 Preservation, Rural Development and Tax Credit Rehabilitation, non- Housing Credit Rental Housing and Homeownership Development. These funds go directly to developers of affordable housing on a competitive basis.

The CHDO operating funds are available to state-designated CHDOs in non-participating jurisdictions. Funds are used for operating support for eligible housing activities.

Our agency has had positive experience using HOME funds from all the above 3 programs. The staff we have worked with at the Ohio Department of Development and the Ohio Housing Finance Agency have been helpful and knowledgeable. The problem with these funding streams is that they are competitive. It's difficult to develop long-term housing strategies without having guaranteed levels of funding. CHIP and HDAP funds can only be applied for once a year, so if a project is not funded during a round, the applicant must wait to apply again.

### **Other Housing Programs**

#### **USDA Rural Development**

Rural areas are not participating jurisdictions for HOME, but they do have another housing option available to them – the US Department of Agriculture's Rural Development Program. Our agency has used USDA for both rental and homeownership programs in Fayette County.

Our agency is the only Mutual Self-Help Housing program in the state of Ohio. This program is funded through a USDA 523 grant. The agency began operating this program in 1995, after nearly five years of planning and pre-development. Since it began, our agency has received 5 USDA 523 grant and 4 SHOP awards totaling \$1.75 million, leveraging additional funds for a total economic impact to Fayette County of \$8.9 million. 133 homes have been built through CAC's Self-Help Program

Under this unique program, the CAC organizes groups to 8 – 10 families, assist s them in applying for USDA Section 502 single-family mortgages and works with them as they put over 1,000 hours of sweat equity into the building of their own and their neighbors' homes. No one moves into the homes until all the houses in that group are finished.

A skilled construction supervisor from our staff works with the families, providing training and technical assistance during construction. A family worker is onsite to monitor the families' schedules. After the families complete the homes, they have done 65% of the construction labor themselves. The families have approximately \$10,000 of true equity in their homes.

In our Self-Help Program, CAC has used the Housing Assistance Council's HUD funded Self-Help Housing Opportunity Program (SHOP). CAC has received \$850,000 in SHOP funds from HAC and another \$800,000 in loans from HAC's Rural Housing Loan Fund. The SHOP funding helps CAC buy the land and put in infrastructure for our self-help homes.

For many rural families, homeownership through the USDA programs is another option in affordable housing. In our self-help program, a very-low income family (50% AMI) can qualify for as low an interest rate as 1% on a 502 loan. The self-help homes appraise for over \$90,000; with the sweat equity the mortgage amount is around \$82,000. For an actual family in our program, the 502 mortgage is \$80,588.76. The family's payment, over a 33-year period, is \$245.77 per month. These homes have 3 bedrooms, 2 bathrooms and an attached garage. This is half the cost of rent for a 3-bedroom single family home in a Housing Credit project.

A report by Robert D. Dietz of the Ohio State University (*The Social Consequences of Homeownership, June 18, 2003*) details the financial benefits and certain social benefits and consequences of homeownership. The report describes positive impacts of homeownership on child outcomes, health, social involvement, political participation, environmental awareness, neighborhoods, crime, and family stability.

In spite of the benefits, both financial and social, homeownership is not an option for all families. For instance, if a family's tenure in an area is short, renting may make more financial sense than owning. Also, many of the families who come to our agency have very poor credit, making it impossible for them to qualify for a mortgage.

USDA Loans for homeownership in Ohio:

<b>Loan Type</b>	<b>Loans made in FY 2002 9/30/02</b>	<b>% of allocation obligated</b>	<b>Loans to date in FY 2003</b>	<b>% obligated</b>
502 Low	274	129%	133	69%
502 Very Low	219	150%	126	89%
Guaranteed	1133	116%	1019	78%

502 direct loans for single-family homeownership and 515 loans for multi-family housing are extremely valuable resources for the development of affordable housing for low-income families. The allocation for these programs has decreased drastically over the past 8 years. Ohio had \$54,069,210 in 1994 for the 502 direct program; in 2002 it had \$39,253,012. 515 funds available in 1994 were \$19,359,068; in 2002 that amount was \$3,885,279.

Youthbuild

One program that impacts affordable housing development is Youthbuild. This program provides academic and job training services to low-income dropouts between the ages of 16 – 24. YouthBuild participants spend 50% of their time in the classroom working on attaining their GEDs and the rest of the time learning housing construction on actual job sites. HUD funds this program, although there are several sites in the country that operate without HUD funds.

Ohio has 13 Youthbuild sites. 4 are rural and are located in Fayette, Pickaway, Athens and Vinton Counties. The other sites are in Columbus, Dayton, Cincinnati, Canton, Youngstown, Warren, Hamilton, Akron and Toledo. Ohio ranks third behind California and New York for number of Youthbuild sites. In 2001, Ohio had the largest number of HUD-funded sites in the country. While this is an exceptional achievement, HUD grants are competitive and therefore cannot be relied upon for sustainable funding. These programs serve approximately 550 young adults a year in Ohio and will construct an estimated 70 homes in Ohio.

While the number of housing units constructed through YouthBuild is small compared to other federal housing programs, the impact on the lives of these at-risk youth is significant. The Ohio Youthbuild programs have formed a state coalition. Youthbuild is a HUD program deserving of a funding increase.

Recommendations

Funding levels for the USDA Rural Housing programs need to be increased for the programs that benefit low-income families, particularly the 502 direct loan for homeownership and the 515 multi-family housing program.

The National Housing Trust Fund Campaign is working to establish a National Housing Trust Fund that would build and preserve 1.5 million units of rental housing for the lowest income families over the next 10 years.

The Campaign proposes federal legislation that would create a dedicated source of funding for housing activities. At least 45% of the funds would be for housing for households that are earning less than 30% of median income, with another 30% of the funds for households earning no more than the minimum wage. Funding would be distributed on a formula basis, with 60% to localities and 40% to states. State, cities and counties would then use the funding for what works best in their local areas, using the distribution methods they already have in place. Operating subsidies would be provided to ensure the housing would remain affordable.

Income targeting would be based on area or state median income, whichever is higher. This addresses the issues of range of incomes in states with rural and urban areas, allowing the program to better fit the needs of rural areas. Funding would be primarily for renter households, which are disproportionately cost-burdened in non-metro areas.

There would be a match requirement for the Federal Housing Trust Fund (could be waived for areas of financial distress). Ohio, after powerful advocacy by staff and members of the Coalition on Housing & Homeless in Ohio (COHHIO) and other groups, has not only a state Housing Trust Fund, but also a dedicated funding source for that fund. These state funds could match the federal housing trust fund, leveraging more money for affordable housing in Ohio.

The National Housing Trust Fund campaign has been endorsed by the Housing Assistance Council, Local Initiatives Support Corporation (LISC), the Council for Affordable and Rural Housing, Community Action Partnerships, Self-Help Inc and Rural Opportunities, Inc. Ohio supporters of a National Housing Trust Fund include 3 local governments, 2 elected officials, and 218 state and local organizations.